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## Even Most Generous Drug Plan May Be Disappointing to Elderly

By ROBERT PEAR and ROBIN TONER

**W**ASHINGTON, July 21 — The new Democratic majority in the Senate is struggling to deliver a prescription drug benefit for the nation's elderly. But even the most generous benefits now under consideration will fall far short of what many of the elderly expect, some lawmakers and health policy experts say.

This gap in expectations is a result of the soaring costs of prescription drugs for the elderly and the limited federal money set aside to pay for them. Even with \$300 billion in the recent budget agreement to spend on drug benefits and other changes in Medicare in the next 10 years, lawmakers have had difficulty coming up with a realistic, affordable plan.

The main Democratic plan in the Senate, now the subject of intense review and revision, was originally estimated to cost beneficiaries \$53 a month in premiums, and it would cover only half the cost of each prescription, until a person's out-of-pocket costs reached \$3,500. Some Republican proposals have similar premiums.

The reaction of the elderly to these details is critically important, both in building political support for legislation and in assuring the ultimate success of any new program. Because participation would be optional, lawmakers worry that many people will simply decline to sign up for new drug benefits if they think the premiums are too high.



Senator Bob Graham of Florida, the principal author of the Democratic plan, said the prospect of \$53 premiums was causing "concern across the board." Democratic senators from rural states, including Max Baucus of Montana, said that many of their elderly constituents could not afford such expensive monthly payments, even with generous subsidies for the lowest-income people.

"I feel strongly that the premium has to be lower," said Mr. Baucus, the chairman of the Finance Committee, which has authority over Medicare.

Democrats are now trying to lower the premium, perhaps to \$30 or \$35 a month, even though that might mean raising the amount that beneficiaries would have to pay out of their own pockets for each purchase of medicine. Senator John D. Rockefeller IV, Democrat of West Virginia, said of the \$53-a-month figure, "Nobody's talking about that now."

Premiums in the range of \$50 a month clearly seemed high to a group of Baltimore retirees assembled this week for their regular civics discussion at the Joseph Center.


"You'd have to pay that every month?" asked Doris Sweeney, 79, a retired meat

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wrapper. "I can't see that."

Louis Pindell, 78, retired from the Social Security Administration, agreed. "I think that's an excessive amount," Mr. Pindell said.

Several of the retirees noted that they already paid \$50 a month for Medicare coverage of doctors' services, and they said that any additional payment for drug coverage should be held to about \$10 a month.

When told that \$10 a month might pay for only a meager drug benefit, even with federal subsidies, Doris K. Lawrence, 80, a retired teacher, shot back: "That's where the rub is — the drugs are too expensive to start with. The whole basic problem is the medicines cost too much money."

The Joseph Center retirees are not alone. A new study for the Kaiser Family Foundation, a health research group, based on interviews with focus groups around the country, found "a severe case of sticker shock" when the elderly and even younger people were informed of the premiums and benefits that are under discussion. The report said that "participants are stunned" that the various plans "offer a lot less coverage than they would have imagined, at a much higher price for seniors."

What retirees expected, the report found, was a benefit closer to what working Americans routinely receive, with a co-payment of \$10 or \$15 for each prescription. Often, the employers pay most of the premiums.

Expectations of the elderly have been colored by months of news reports about large budget surpluses, said Diane Rowland, executive vice president of the Kaiser foundation.

"I think the public expectation was for a greater contribution out of the surplus," Ms. Rowland said. "What you're seeing in these proposals is how little you can really do with \$300 billion when you're trying to reach an elderly and disabled population with high expenditures."

For three years, Congress, the Clinton administration and now President Bush have struggled with the issue of prescription drugs. Medicare, the health insurance program for 40 million elderly and disabled Americans, generally does not cover drugs outside the hospital. About two-thirds of the people on Medicare have drug benefits from other sources, like former employers or health maintenance organizations. But that coverage is often limited or unreliable, and one-third of the elderly have no insurance at all for prescription drug costs.

At the same time, the cost and use of prescription drugs among the elderly are steadily climbing. According to Families USA, a consumer advocacy group, the average number of prescriptions per elderly person, including refills, was 28.5 a year in 2000, up from 19.6 in 1992.

The Congressional Budget Office estimates that spending on prescription drugs for Medicare beneficiaries, from all sources, will total \$1.3 trillion from 2004 to 2011. That includes spending by beneficiaries and by insurers on their behalf. So the amount Congress envisions, \$300 billion, would cover about one-fourth of the total anticipated drug spending for the Medicare population.

Democrats assert that the prescription drug conundrum is an example of the trade-offs forced by the 10-year, \$1.35 trillion tax cut pushed through Congress by Mr. Bush.

The Senate majority leader, Tom Daschle, Democrat of South Dakota, said: "We're working under very tight constraints. One of the biggest, of course, has been dictated as a result of the passage of the Bush tax bill. They wanted to pass a tax bill in large measure because they wanted to constrain domestic commitments and investments. This is a perfect example of it."

Sean O'Keefe, deputy director of the White House Office of Management and Budget, dismissed that argument. "Some are trying to politicize Medicare, but that will not improve the program or help seniors," he said. "It's time we all worked together and stopped arguing that tax relief is somehow the catch-all bogymen."

As they draft legislation, Democrats have been frustrated by the complex arithmetic of Medicare drug benefits. When they tinker with one feature of their proposal, in an effort to make it more attractive and more affordable to beneficiaries, they increase the cost to the government. To offset that cost, Democrats change other features, in ways that increase the cost to beneficiaries.

Republicans face similar trade-offs, although many are willing to leave the details of premiums and co-payments to private insurers.

The great fear of many lawmakers is that they will produce a plan that the elderly see as a bad deal, as happened in 1988 with legislation providing catastrophic coverage for the elderly; it was repealed a year later.

All the plans in Congress, including Mr. Graham's, must fit within the \$300 billion limit.

Senator Charles E. Grassley of Iowa, the senior Republican on the Finance Committee, said he hoped the full Senate would act on Medicare legislation this year. "If this goes over to next year," Mr. Grassley said, "it will probably not get done. Every year we wait, there's a significant increase in costs." Moreover, he said, in 2002 the issue is likely to become enmeshed in election-year politics.

Lawmakers said there were other hurdles to reaching agreement on drug benefits. Most Republicans and some influential Democrats, like Senator John B. Breaux of Louisiana, are adamant that any new drug benefits must be linked with structural changes in Medicare aimed at getting more private health plans involved. Liberals, like Senator Edward M. Kennedy of Massachusetts, are just as adamantly opposed.

The House is also working on legislation to add drug benefits to Medicare. The House passed such a bill last year, but it died when Congress adjourned in December. Under that bill, written by House Republicans, the government would have paid subsidies to insurance companies to encourage them to offer drug coverage. The insurance industry itself said the plan was unworkable.

Under Senator Graham's bill, as introduced last month, beneficiaries would pay premiums of \$53 a month and the first \$250 of drug expenses. Beneficiaries would then pay half the cost of each prescription until they had spent \$3,500 of their own money, and after that, they would pay 25 percent of drug costs until their out-of-pocket expenses totaled \$4,000. The beneficiary's expenses would be limited to

\$4,000 a year, not including premiums. The government would pay any drug costs beyond that.

Many lawmakers want to reduce the premium and the deductible. Members of the Finance Committee have been discussing options that would set the premium at \$30 to \$35 a month, with a deductible of \$100 a year. But beneficiaries would then have to pay more of the cost of each prescription — at least 60 percent to 65 percent — and the government might have to raise the beneficiary's maximum liability, to \$5,000 a year.

Not surprisingly, the time frame for producing a drug plan is already being extended. The Finance Committee, led by Mr. Baucus, had planned to vote next week on legislation to revamp Medicare and add drug benefits. But Mr. Baucus has deferred action because he has been unable to devise a drug benefit acceptable to Democrats on the committee, much less to the Republicans.

Senator Grassley, who meets often with Mr. Baucus, said the committee appeared likely to take up the issue and vote in mid-September.

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